Annual Report 2000

Esker Resources Ltd.

CORPORATE PROFILE & MISSION STATEMENT

Esker Resources Ltd. is a Calgary based, Canadian junior oil and gas resource company, incorporated in 1981 as a private company. The corporation became public in August 1993, after completing an Exchange Offering Prospectus, through The Alberta Stock Exchange. Esker Resources Ltd. trades on the Canadian Venture Exchange under the trading symbol "ESR".

The officers and directors of Esker own a significant interest in the Company, further supporting an added commitment to the successful efforts of the Company and to the welfare of all shareholders. The Company intends to grow through the drill bit. Through investment of cash flow and funds raised with timely equity issues, Esker is expected to continue to improve its financial position as a result of successful drilling and strategic production purchases. Our strength is exploration people and as a result drilling will be our main focus.

Esker explores for and develops oil and natural gas in specific geographical areas of Alberta, where management has the most geological expertise and knowledge, thereby reducing risk through experience. The Company targets lower to medium risk prospects where immediate cash flow can be realized. In-house generated prospects are operated by the Company.

HIGHLIGHTS	2000	1999	Change
Average Production Rate (calendar day)			
Natural gas (Mcf/d)	1,730	1,800	-4%
Oil and liquids (Bbls/d)	80	55	+45%
BOE per day	368	355	+4%
December Average			
BOE per day	446	344	+30%
Total Sales			
Natural gas (MMcf)	577.1	632.0	-9%
Oil and liquids (Bbls)	29,500	21,471	+38%
BOE	125,700	126,804	-1%
Proven Reserves			
Natural gas (MMcf)	7,356	6,083	+21%
Oil and liquids (MBbls)	174	116	+50%
BOE (MBbls)	1,400	1,130	+24%
Lands			
Gross working interest acres	54,273	56,328	-4%
Net working interest acres	22,643	19,660	+15%
Gross GORR acres	14,614	15,874	-8%
Average working interest	42%	35%	+7%
Financial			
Oil and gas sales	$ 4,139,106	$ 2,152,302	+92%
Income before income taxes	$ 1,481,011	$ 414,531	+257%
Net income	$ 1,007,496	$ 268,311	+275%
Funds from operations	$ 2,407,942	$ 1,197,556	+101%
Net income per share	$ 0.06	$ 0.02	+200%
Funds from operations per share	$ 0.14	$ 0.07	+100%
Exploration & development expenditures	$ 3,055,069	$ 2,233,279	+37%
Issue of common shares	$ 12,000	$ 16,000	
Bank loan (long term)	$ 2,220,000	$ 1,625,000	+37%
Retained earnings	$ 1,102,510	$ 282,852	+290%
Share Capitalization			
Common shares outstanding, Dec. 31	16,328,101	16,845,101	-3%
Share options	1,550,000	1,390,000	+11%
Warrants	NIL	770,000	-100%

ANNUAL SHAREHOLDERS MEETING

The Annual General Meeting of Shareholders of Esker Resources Ltd. will be held Tuesday, June 12, 2001 at 3:00 p.m. (Calgary time), at The 400 Club, 710 - 4th Ave. S.W., Calgary, Alberta.

PRESIDENT'S MESSAGE TO SHAREHOLDERS

It is with great pleasure that I write this report to shareholders, as the year 2000 was Esker's most active with the best results in our history. The management of Esker is treating this past year as a kick-start to a much improved growth rate in the future.

With the less than stellar 1999 year behind us, a new century unfolded in the year 2000 with no Y2K computer problems to derail Esker. As well, investor confidence in the oil and gas public market began to return in 2000. Esker opened the year at $0.22 per share and closed the year December 31, 2000 at $0.29, an increase of 32%. Esker's trading volume was an historic high at 4.46 million shares representing a 156% increase over 1999's 1.74 million shares. Oil and natural gas prices rose to the highest levels in Esker's public history. The price increases combined with excellent drilling results generated unprecedented revenue and cash flow. It was a great year, which has allowed Esker to grow beyond previous levels and gives Esker's 2001 year an excellent platform for growth.

Management's long-term plan to streamline Esker by having a larger interest in fewer wells is showing results. The well count went from 139 at the beginning of the year to 105 by the end of the year. Esker's average working interest in producing wells has increased from 12 % in 1997 to 42 % in three years while our average working interest in land has gone from 21% to the current 46%. Our average working interest in wells participated in since December 31, 1999 to date has increased from 34% to 44%. Another target was to maintain low operating costs while lowering finding costs. This was achieved as can be seen by reviewing the tables that follow.

A personal commitment by myself to "tell the story" more often and to increase Esker's public profile has also been achieved. Many telephone conversations and business meetings with investor groups, individuals and brokers occurred during 2000 and are continuing in 2001. An investor relation's budget has been approved for the first time. We believe Esker's current trading volume and increased price is in part due to those expenditures.

New lands were acquired resulting in new exploration and development prospects for 2000 and 2001. One new property of significance was Viking East, Alberta. Esker earned and acquired a 25% working interest in this property that now includes eight sections of land, an extensive 2D seismic grid and seven dual zone producing gas wells. More drilling is expected during the second quarter of 2001. Other new lands and prospects are being evaluated for drilling this year.

Two older properties, Auburndale and Wild River were more fully developed in 2000. A total of 12 wells were drilled at Auburndale resulting in 10 oil wells, 1 gas well and 1 dry hole. At Wild River two new gas wells were drilled in 2000 (10% W.I. & 2.5% W.I.) and more successful drilling has occurred in 2001.

Overall, Esker participated in the drilling of 26 wells in 2000 with an average working interest of 31%. The overall success ratio was 81% with 11 oil wells, 10 gas wells and 5 dry holes. This success has carried over into 2001 as Esker has in the first quarter participated in 7 wells resulting in 6 gas and one dry hole (86% success ratio). Management intends to build on this success and make the most of the expected increase in cash flow. The year 2001 is on pace for the largest number of wells drilled.

The Company's revenue, cash flow, earnings and all financial indicators are showing significant positive gains over that of the previous year. The additions to production and price increases were the main factors in Esker's successful financial results. Prudent use of the bank line of credit (currently at less than 1 times projected 2001 cash flow) and 100% of Esker's cash flow, financed activities in the past year.

Esker's drilling success has directly added to our increased asset value through reserve additions. The January 1, 2001 independent reserve evaluation indicates that Esker's reserves of oil and gas has increased by 24% over 1999 to 1,624 MBOE. The 2000 additions of 524.8 MBOE have helped to increase Esker's reserve life index to 10.4 years. In 2000, Esker replaced its 2000 production (~ 126 MBOE) by approximately 300%. This adds to increased asset value. Esker's January 1, 2001 calculated basic asset value now stands at $1.20 per share, an increase of 161% over that of January 1, 2000 ($0.46 per share) using a discount factor of 10%.

Because the Board of Directors has felt that Esker's trading value has not reflected fairly our true asset value, the Company has been acquiring it's common shares on the open market through three normal course issuer bids over the past four years. We have acquired and canceled a total of 1.3 million shares since August 1996, resulting in the current 16,236,101 shares outstanding (April 11, 2001). All of these shares have been acquired for an average cost of $0.25 per share. As cash flow increased and the shares outstanding decreased, shareholder value has increased more rapidly. Esker intends to continue to purchase shares until the trading price increases to a point where it more closely reflects the asset value of the Company.

The year 2000 was a very good year and the most enjoyable for Esker management, employees and shareholders. The expectation for 2001 however, is even greater. Management is up to the challenge as a larger budget ($4-5 MM) is expected to keep us very active. The first quarter of 2001 is now completed and the drilling results are above average. All shareholders can be optimistic about the future of Esker. We have an excellent growth profile with high product prices, good drilling results and more market awareness. I am looking forward to the year 2001 with great enthusiasm for future success.

On Behalf of the Board of Directors,

I Holmes

Ian G. Holmes
President and Chief Executive Officer
Calgary, Alberta
April 11, 2001

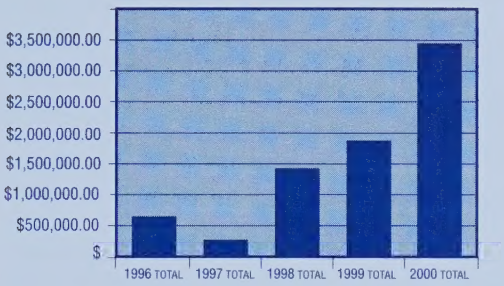
MANAGEMENT DISCUSSION AND ANALYSIS

Management's discussion and analysis of Esker's results should be read in conjunction with the audited financial statements and notes contained in this annual report.

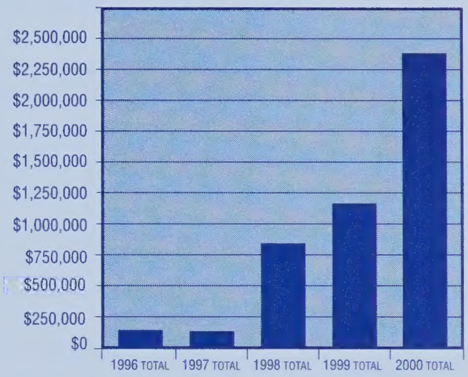
RESULTS OF OPERATIONS

The Company achieved record cash flow and earnings in 2000 due to improved levels of oil and gas sales together with strong commodity prices throughout the year. Cash flow from operations of $2,407,942 or $0.14 per common share was 101% higher than the previous year and net income after income taxes of $1,007,496 or $0.06 per common share represented a 275% increase from 1999.

Net Revenue (after royalties)



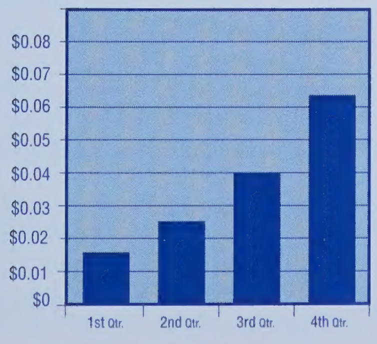
Cash Flow



REVENUE INFORMATION

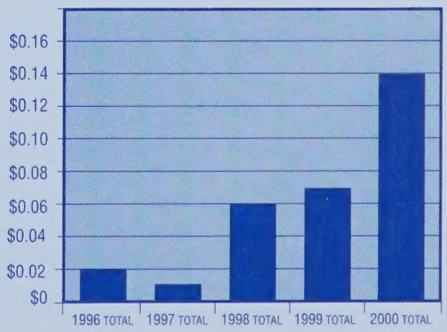
	2000		1999	
	($000s)	($BOE)	($000s)	($BOE)
Oil and gas sales	4,139	32.92	2,152	16.97
Royalties, net of Alberta Royalty Tax Credit	(650)	(5.17)	(201)	(1.59)
Operating costs	(603)	(4.80)	(443)	(3.49)
Field netback	2,886	22.95	1,508	11.89
General and administrative costs	(325)	(2.59)	(254)	(2.00)
Operating netback	2,561	20.36	1,254	9.89
Interest, net of other income	(153)	(1.22)	(56)	(0.44)
Cash flow from operations	2,408	19.14	1,198	9.45

Cash Flow Per Share



2000

Cash Flow Per Share



The following table summarizes the product prices Esker received during the 2000 and 1999 years:

Prices of Products	2000	1999	Change
Average Gas Price / Mcf.	$5.21	$2.53	+106%
Average Oil Price / Bbl.	$31.32	$23.69	+32%
Average Liquids Price / Bbl.	$31.45	$15.24	+106%
Average BOE	$31.34	$18.04	+74%

PRODUCTION, SALES AND ROYALTIES

Total sales of oil and gas for the year ended December 31, 2000 amounted to 125,700 BOE's compared with 126,804 in 1999 based upon a conversion of 6 thousand cubic feet of natural gas to 1 barrel of crude oil. The marginal decrease resulted from a combination of natural production declines together with increases in production late in the year.

Royalty expense net of Alberta Royalty Tax Credits amounted to $649,702 or 16% of oil and gas sales compared to $201,295 or 9% of oil and gas sales in 1999. The increase in royalty expense is attributable to higher freehold royalties on new production and a decrease in the rate of Alberta Royalty Tax Credits.

Operating expenses increased by 36% to $4.80 per BOE compared with $3.49 per BOE in the previous year. This was due to an overall increase in all operating costs in the industry.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative costs at $325,035 were 28% higher than the prior year and the increase resulted from higher levels of engineering and land consulting together with higher salary expenses. The Company also capitalized $355,156 of general and administrative costs directly attributable to exploration and development activities.

INTEREST EXPENSE

Interest cost rose to $160,807 in 2000 from $58,885 in the prior year due to higher utilization of the Company's lines of credit.

DEPLETION, DEPRECIATION AND SITE RESTORATION

Depletion, depreciation and site restoration increased by 18% to $926,931 compared with $783,025 in 1999. On a per BOE basis the depletion, depreciation and site restoration costs were $7.40 in 2000 compared to $6.18 in 1999.

INCOME TAXES

The Company adopted the liability method of accounting for future income taxes at the beginning of the year. Income tax expense was $473,515 or 32% of net income before income taxes. At December 31, 2000 the Company has $4,600,000 of income tax pools available to reduce future income taxes.

LIQUIDITY AND CAPITAL RESOURCES

The 2000 capital program of $3.1 million was funded primarily through cash flow of $2.4 million with the balance from the revolving loan facility and property dispositions. During the year Esker issued 60,000 common shares for proceeds of $12,000 and repurchased 577,000 common shares for $147,684. Total outstanding shares at December 31, 2000 amounted to 16,328,101.

At year end the Company's authorized revolving bank line of credit was $3.0 million and the acquisition line was $1.5 million with an aggregate of $2.3 million drawn on the lines.

The authorized amount is expected to increase upon completion of the bank's annual review.

CAPITAL EFFICIENCY & RESERVE LIFE

Esker enjoyed outstanding reserve growth in 2000 along with a respectable finding and on stream cost per proven BOE of $7.97. The recycle ratio, which is a key measure of reinvestment efficiency, was 2.4 on a proved basis and 3.6 on a proved plus probable basis.

	Proved	Proved and Probable
Finding and on stream costs ($BOE)	$ 7.97	$ 5.34
Recycle ratio	2.4	3.6
Production replacement	2.8	4.2
Reserve Life Index – using 2000 production rate	10.4 years	12.1 years

NET ASSET VALUE

The following table summarizes the net asset value of Esker Resources Ltd. at January 1, 2001 using escalated pricing for oil and gas reserves:

Net Asset Value	**2000**	**1999**
Discount Factor	10%	10%
Proven Reserves (Escalated Pricing)	$ 19,042,000	$ 7,170,000
Probable Reserves risked @ 50%	$ 686,000	$ 433,000
Undeveloped Property	$ 1,105,000	$ 997,360
Seismic	$ 550,000	$ 510,000
Net Working Capital	$ 365,264	$ 302,549
Long Term Debt	$ (2,220,000)	$ (1,625,000)
Net Asset Value - Basic	**$ 19,528,264**	**$ 7,788,909**
Proceeds on Conversion of Outstanding Warrants and Vested Stock Options	$ 409,950	$ 926,575
Net Asset Value - Fully Diluted	**$ 19,938,214**	**$ 8,715,484**
Basic - Common Shares	16,328,101	16,845,101
Fully Diluted - Common Shares	17,878,101	19,005,101
Net Asset Value Per Share - Basic	**$ 1.20**	**$ .46**
Net Asset Value Per Share - Fully Diluted	**$ 1.12**	**$ .46**

The basic net asset value per share increased dramatically to $1.20. The reasons are well established; increased reserves (24 %), increased oil and gas pricing thus increased discounted cash flow value (128 %), increased undeveloped land (13 %), more proprietary seismic inventory, decreased common shares basic (3 %) and decreased fully diluted (6 %) shares due to expiry of warrants.

While the preceding table was based on an escalated pricing forecast for the reserve value, the 1999 annual report however, used the constant pricing forecast. Therefore, for comparison purposes only, the constant pricing forecast values would be; proven reserves $28,749 M and 50 % of probable $999 M, resulting in a net asset value of $1.81 per share basic and $1.68 per share fully diluted using a 10 % DCV and $1.57 per share basic and $1.45 per share fully diluted using a 15 % DCV.

EXPLORATION AND DEVELOPMENT DRILLING & COMPLETION RESULTS

A record number of wells were drilled or participated in by Esker during the 2000 fiscal year. A total of 26 wells in which Esker had a working interest were drilled over Esker's most active 12-month period. Excellent results were experienced with an overall success ratio of 81 % from 11 oil wells, 10 gas wells and only 5 dry holes. Esker had a net 8.09 wells of these 26 giving an average working interest of 31 %. There were 16 development wells and 10 exploratory wells.

Of particular note would be the Viking East property, which was new this year. A total of 5 gas wells were drilled all resulting in dual zone completions and adding significantly to Esker's production rate late in the year. Subsequent to year-end two additional gas wells have been drilled

Also important to the year's success was the drilling that took place on the Auburndale property. A total of 12 development wells were drilled, completed and put on production during 2000. Only one dry hole was drilled with 10 oil wells and one gas well adding to Esker's net production of 105 boe/d in January 2001. A five well development program was started in late March with two new oil wells being drilled by the time of this report.

Not all the drilling was successful however, with dry holes on the Cherry, Bindloss, Pouce Coupe and Murray Lake properties. The exploration expenditure of approximately $3 MM was financed with cash flow and use of the bank line of credit. The following table outlines the drilling results for 2000:

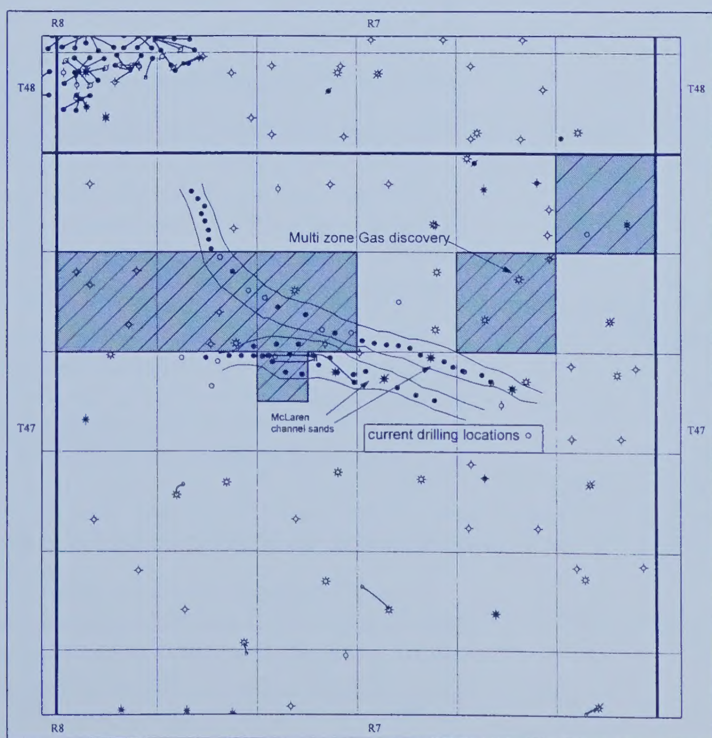
2000	**Development**		**Exploratory**		**Total**	
Working Interest Wells	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Oil	9	1.63	2	0.63	11	2.26
Gas	5	1.10	5	1.68	10	2.78
Dry & Abandoned	2	0.75	3	2.30	5	3.05
Service	0	–	0	–	0	0.00
TOTAL	16	3.48	10	4.61	26	8.09

PROPERTIES

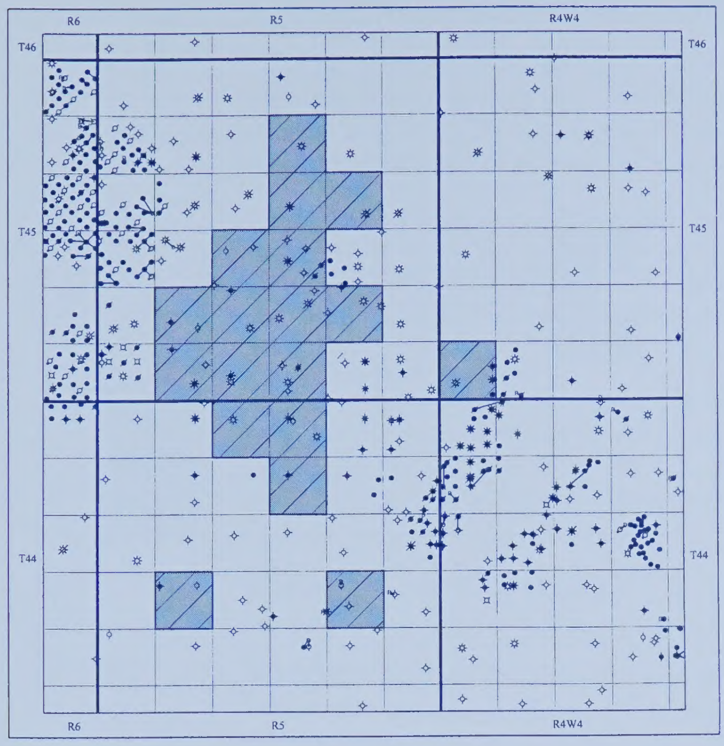
AUBURNDALE - EAST CENTRAL ALBERTA

The year 2000 saw a marked increase in the drilling activity which began in 1999. A total of twelve wells were drilled during the year resulting in ten McLaren oil wells, one Viking gas well and one dry hole. This activity is part of an ongoing exploration and development program targeting oil in the McLaren sandstone, based primarily on 3D seismic. At year-end a five well development program was approved with drilling to commence in April of 2001. Esker holds a 25% working interest in the play and it has become a major producing property for the Company.

Prior to year-end Esker conducted a 2D seismic program over lands we deemed to be prospective for gas in the Sparky and Lloydminster sands. In early 2001 the Company acquired more lands at a Crown landsale and subsequently operated the drilling of a multi-zone gas well at 10-26-47-7 W4M. Completion and tie-in is slated for the second quarter of 2001, together with the drilling of a follow up development well in section 36. Esker holds a 97.5% - 100% working interest in this natural gas play.



AUBURNDALE - Esker Lands



WAINWRIGHT - Esker Lands

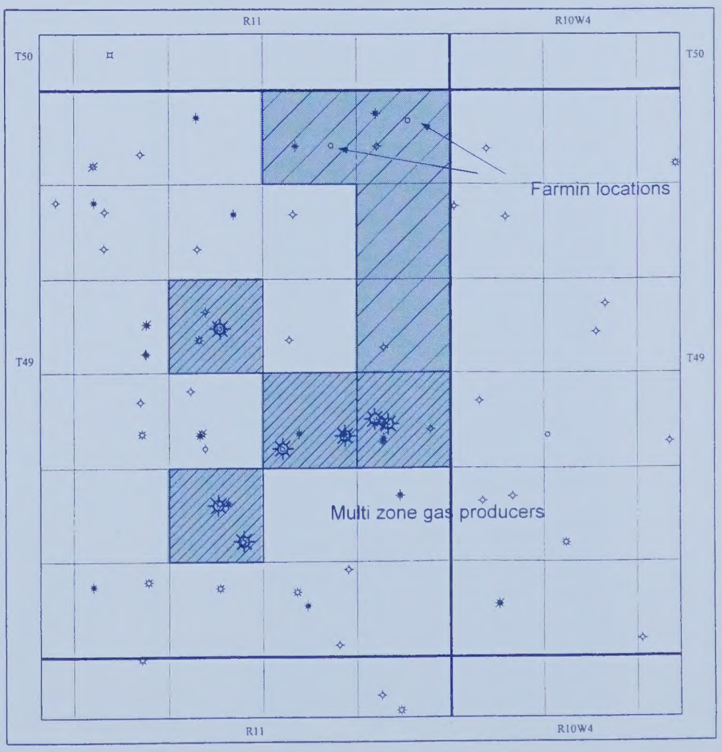
WAINWRIGHT, EAST CENTRAL ALBERTA

Wainwright is a mature gas production area and represents one of Esker's first producing properties. Although production from Viking and Colony sands continues at modest rates, the Company is currently planning to conduct seismic over a portion of the land holdings to explore for oil potential in the Lower Cretaceous McLaren sand and the Devonian carbonates, both zones being significant producers in the area. It is likely that during the upcoming year wells will be drilled on Company lands to evaluate both these plays. Esker's working interests are zone specific and vary from 17% to 100%.

VIKING EAST - EAST CENTRAL ALBERTA

During the past year Esker participated as to a 25% working interest in a drilling program for multi-zone gas in the Viking area of East Central Alberta. A total of five dual zone gas wells were drilled, completed and put on production with initial rates varying from 400 mcf/d to over 2000 mcf/d. The Company, together with its operating partner, has recorded some 30 km of 2-D seismic and has to date acquired four sections of land at Crown land sales. Subsequent to year-end we shot additional seismic and will earn an interest in an additional four sections of land by the drilling of two farm-in wells during the second quarter. Production has been established from eight distinct zones ranging from the Cretaceous Viking formation to the Devonian Camrose member. At year-end Esker's net production from the prospect averaged close to one million cubic feet of gas per day.

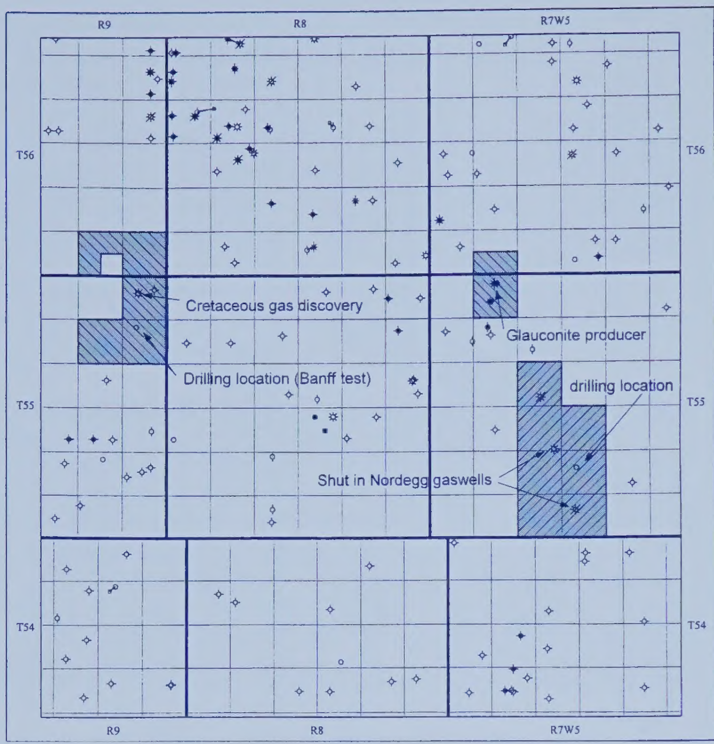
VIKING EAST - Esker Lands



Paddle River - West Cove - West Central, Alberta

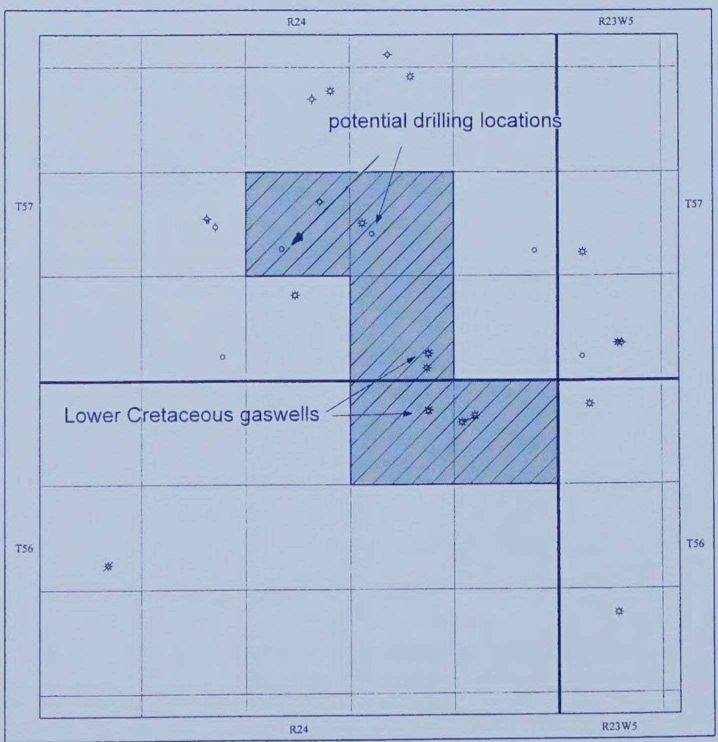
In September, the Company participated in the drilling of a Nordegg gas well after carrying out a 2D seismic program. The 1-16-55-7 W5M well has been completed and awaits the construction of a pipeline gathering system which will also include the shut-in 11-3 Nordegg gas well located one and a half miles to the south. These tie-ins are proposed for later in the year and will coincide with the drilling of at least one additional well on the prospect. Esker has interests varying from 15% to 24%.

Subsequent to year-end, Esker farmed out a portion of its holdings on its westerly land block resulting in a Cretaceous zone gas discovery, the information on which is currently held confidential. Under terms of the farmout agreement, the farmee has the option to drill a deeper pool Banff test on another portion of the block. It is anticipated that this well will be drilled in the third quarter of 2001 in order to evaluate the exploration potential for Nordegg and Pekisko zones. Prior to the farmout, Esker held a 100% working interest in this four and three-quarter section block and retains the right to participate in any subsequent drilling on the farmout lands as to a 25% interest.



PADDLE RIVER - Esker Lands

WILD RIVER - WEST CENTRAL ALBERTA



WILD RIVER, CENTRAL ALBERTA

This property began gas production in early 1998 from the 2-2-57-24 W5M Leduc Formation discovery, with the subsequent 12-11 Leduc producer drilled in the same year. Early in 2000 more deep drilling (4,150m) resulted in a third Leduc gas well at 12-36-54-24 W5M. In late December, a multi-zone Lower Cretaceous gas well at 2-2-57-24 W5M, offsetting the 2-2 Leduc producer was drilled. Subsequent to year-end another development Cretaceous gas well at 10-35-56-24 W5M was drilled and completed. Production from the Lower Cretaceous Cadomin, Gething and Bluesky sands is to commence in April 2001, at expected rates in excess of 3 mmcf/d plus hydrocarbon liquids. Esker retains a 10% working interest in this program and it is anticipated that further drilling for Lower Cretaceous gas will occur in the upcoming year.

ACQUISITIONS AND DIVESTITURES

During 2000 very little activity in purchasing or selling of properties and production occurred. At the beginning of the year Esker sold its small interest in the Manyberries oil property for $215,000. The sale was effective January 1, 2000 and was discussed in the 1999 Annual report. One other additional minor property consisting of a section of undeveloped land was sold.

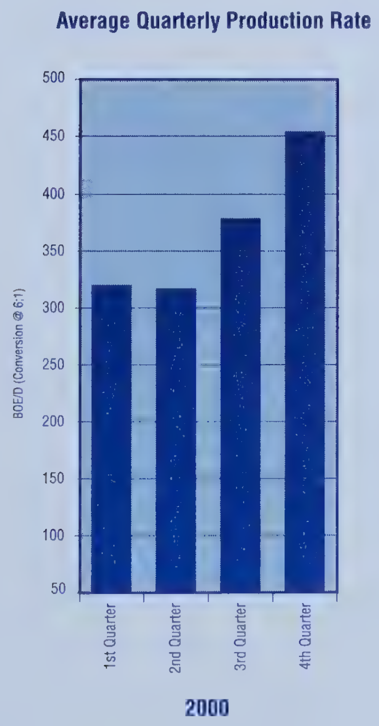
On the acquisition side of things, Esker did conclude one purchase of an interest (2.5 %) in a Leduc gas well in the Wild River area. This well was drilled on offsetting acreage to Esker and required a pooling of interests to place the well on production. Esker was able to review the complete well history before making its decision to purchase or farm-out our interest. Esker financed this purchase of $210,000 with its production purchase loan facility with the National Bank.

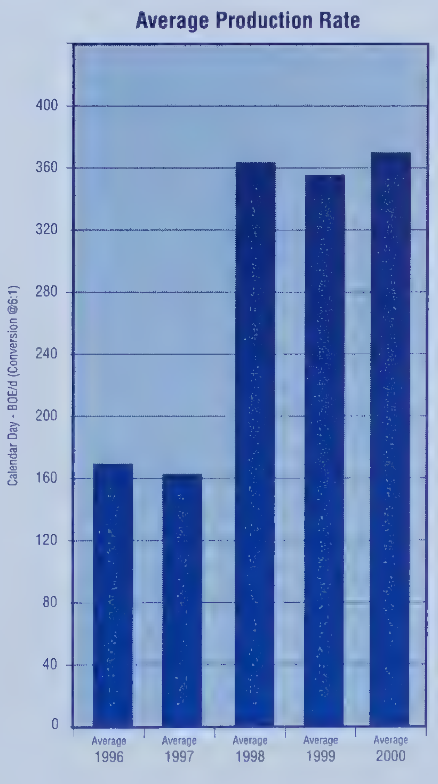
Subsequent to year-end Esker sold its working interest in the operated Cherry property. Two producing oil wells and one water disposal well and associated facility were sold to another industry operator for $370,000 net to Esker. The sale was effective March 1, 2001. Esker felt that all the upside in the property had been fully developed and there was no other opportunity to expand the play in the area.

PRODUCTION SUMMARY

The largest contribution to Esker's average calendar day production rate increase came from the Viking East and Auburndale properties. New gas production was added at Viking East and oil production was added at Auburndale. Most of the additions came late in the year and as a result the overall yearly average of 368 boe/d showed a slight increase of 4 % over that of 1999 (355 boe/d). However, if the average rate of the last months (December) of the two previous years are compared, Esker's production has increased considerably, by 30 % from 344 boe/d to 446 boe/d.

The following graphs summarize Esker's average calendar day production rates on a boe/day basis (gas converted to oil at 6:1):





RESERVES SUMMARY

Sproule Associates Limited of Calgary has carried out an independent reserves evaluation of Esker's reserves of oil, natural gas and associated liquids for the last three years. The following table outlines Sproule's estimate of Esker's reserves and discounted cash values before taxes. The reserves are the Company's gross reserves before royalties using an escalated pricing forecast, unrisked probables and using a conversion factor of 6:1 for gas to BOE:

	Reserve Category	Gas (MMcf)	Crude Oil and NGL (Bbls)	BOE (MBbls)	Annual Change	10% DCV M$	15% DCV M$
January 1, 1999	Proven	6,682	159,400	1,273.1			
	Probable	358	218,300	277.9			
	TOTAL	7,040	377,700	1,551.0		9,682	8,265
January 1, 2000	Proven	6,083	116,200	1,130.0			
	Probable	1,067	1,800	179.6			
	TOTAL	7,149	117,900	1,309.4	-16%	8,965	7,738
January 1, 2001	Proven	7,356	173,600	1,399.6			
	Probable	404	157,300	224.6			
	TOTAL	7,760	330,800	1,624.1	+24%	20,414	18,134

RECONCILIATION OF RESERVES SUMMARY

The following table summarizes Esker's reserves to indicate where additions and changes were made to the new engineering report:

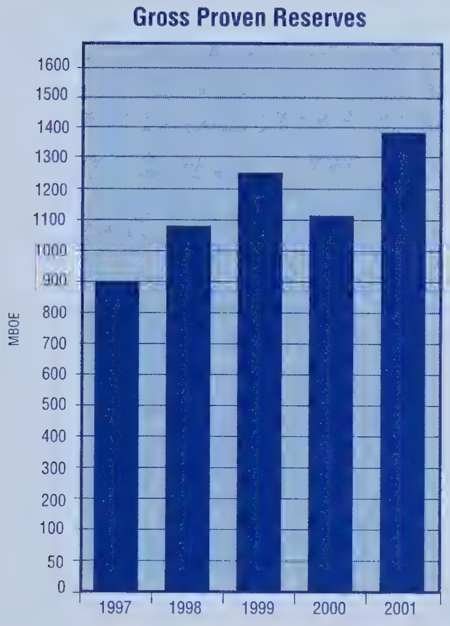
	Oil & NGL MBbls			Gas (MMcf)			Barrels Of Oil Equivalent (MBOE)
	Proven	Probable	Total	Proven	Probable	Total	Total
January 1, 1999	**159.4**	**218.3**	**377.7**	**6,681.9**	**357.5**	**7,039.5**	**1,551.0**
New Additions during 1999	60.9	0.0	60.9	204.7	0.0	204.7	95.0
Production during 1999	(20.1)	0.0	(20.1)	(657.0)	0.0	(657.0)	(129.6)
Revisions to prior estimates	(84.0)	(216.5)	(300.6)	(146.6)	709.5	561.8	(207.0)
January 1, 2000	**116.2**	**1.8**	**117.9**	**6,083.0**	**1,067.0**	**7,149.0**	**1309.4**
New Additions during 2000	63.1	155.5	218.6	1,732.0	105.0	1,837.0	524.8
Production during 2000	(29.5)	0.0	(29.5)	(577.1)	0.0	(577.1)	(125.7)
Revisions to prior estimates	23.8	0.0	23.8	118.1	(768.0)	(649.9)	(84.4)
January 1, 2001	**173.6**	**157.3**	**330.8**	**7,356**	**404**	**7,760**	**1,624.1**

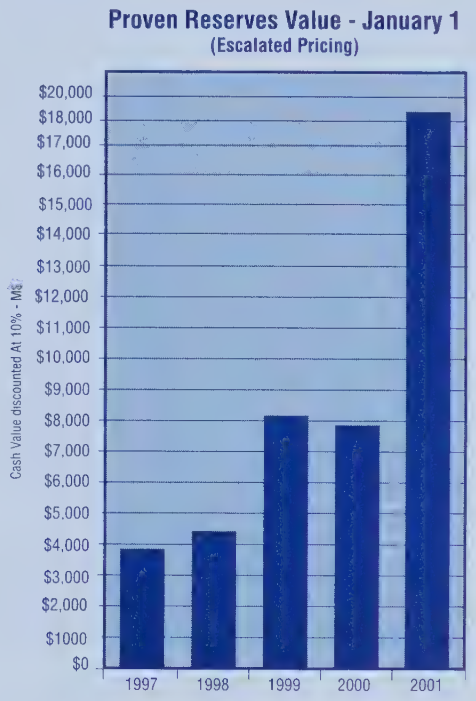
- (Numbers in both tables may differ slightly due to rounding)

Highlights of the reserve table include a 24 % increase in overall proven plus probable reserves, an increase of 24 % of proven reserves, an increase of 21 % in proven gas reserves and an increase of 49 % in proven oil and liquids reserves. The largest increase of more than 8,000 % was a result of additional oil probable reserves, indicating the additional upside of Esker's oil prospective lands. Reviewing the table will show that Esker replaced its 2000 production by over 300 % and Esker's reserve life index is 10.4 years using Esker's proven only reserves and its 2000 production rate.

New oil reserves were added at Auburndale, with adjustments at Wainwright, while gas reserve additions were at Viking East, Wild River and some minor properties. Esker's proven reserves base is now 88 % natural gas and 12 % oil and natural gas liquids.

The following graphs outline our reserve increases and the dramatic increase in overall value of these products:





LAND SUMMARY

Total expenditures on land acquisition during the 2000 year was $161,252 for a total net acre purchase of 3,845 acres at an average price per acre of $41.94. Land was purchased in the following prospect areas: Viking East, Bindloss, Cherry, Dobson, West Cove and Fenn Big Valley. Esker's land acquisition program has consistently year after year increased our overall net acres and average working interest. The average working interest in Esker's land has increased in 2000 to 42 %, up by 7 percentage points over that of 1999. Esker's net working interest acres now stands at 22,643 up by 15 % over last year. Of these net acres Esker has 14,057 acres of undeveloped lands for future drilling.

The following table outlines Esker's land position as of December 31, 2000:

	Total Area	Developed	Undeveloped
Working Interest Lands			
Gross	54,274 acres	28,687 acres	25,587 acres
Net	22,643 acres	8,586 acres	14,057 acres
GORR Lands (Gross)	14,614 acres	8,401 acres	6,213 acres

SHARE CAPITALIZATION

Esker's share structure changed slightly during the 2000 year. At the start of the year there were 770,000 share purchase warrants outstanding which allowed for the purchase of 1 common share per warrant at a price of $0.75. These warrants expired unexercised on June 3, 2000. There are currently no warrants issued and outstanding in Esker's share structure.

During the year there were 220,000 stock options issued to employees, directors and consultants. These options were issued at the market price of $0.19 in October, 2000. There are currently 1,550,000 options issued, of which 1,332,500 are fully vested. In October of 2000, a total of 60,000 options were exercised at $0.20 each prior to the October expiry. There are a total of 145,000 options at $.29 each which expire on January 31, 2002.

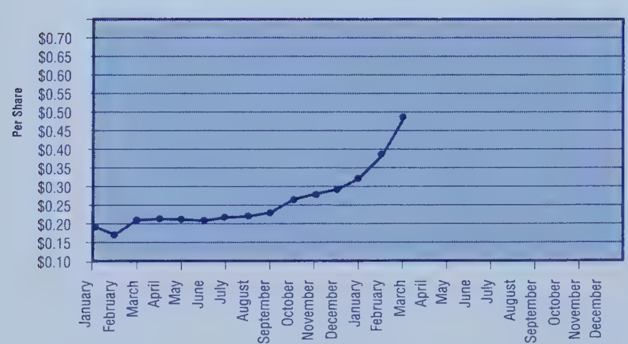
On May 3, 2000 a Normal Course Issuer Bid of Esker's expired after having purchased a total of 532,500 shares of a maximum of 863,000 allowed. These shares were purchased at an average price of $0.25 each and were all canceled to bring Esker's capitalization down to 16,794,101 shares. Later in the year on October 23, 2000, Esker applied for and was granted another Normal Course Issuer Bid through the Canadian Venture Exchange to purchase up to 5 % of it's outstanding issued stock or a total of 842,500 shares. To date Esker has purchased a total of 618,000 shares for cancellation at an average price of $0.27 each. As of April 11, 2001 Esker's total issued and outstanding common shares are 16,236,101 shares or 17,786,101 shares fully diluted.

Esker has had a record year for volume, a total of 4,456,574 shares traded on the Canadian Venture Exchange. This represents a 156 % increase over the previous year. Also of significance is the December 31, 2000 closing price of $0.29 which is 32 % higher than the December 31, 1999 closing price of $0.22 each.

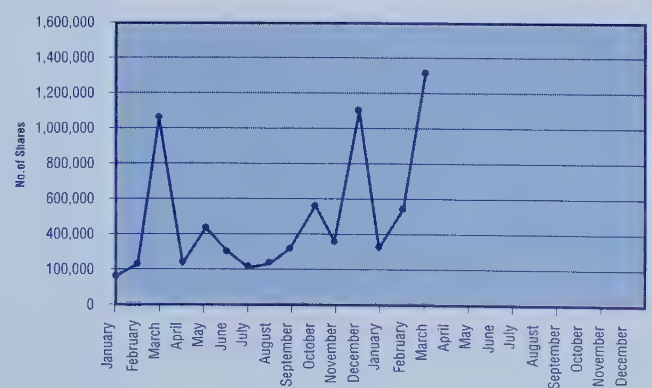
The following table and graphs summarize the trading activity of Esker's stock over the year.

January through December	2000	1999	change
High	$0.41	$0.39	
Low	$0.13	$0.14	
Close	$0.29	$0.22	+32%
Volume	4,456,574	1,739,100	+156%

Closing Trading Price



Trading Volume



BUSINESS RISKS

The oil and gas industry is a high-risk business, as there are no guarantees of finding new reserves or of finding market outlets for existing shut-in reserves. This annual report reflects actual 2000 results and contains forward-looking statements that are subject to risk factors associated with the oil and gas business. The Company believes that the expectations reflected in this report are reasonable, however results could be affected by variables including, but not limited to, price fluctuations, industry competition, environmental risks, political risks and capital restrictions.

Esker Resources Ltd. reduces risk by exploring for and developing oil and natural gas assets where the technical staff has a high degree of experience and understanding of the risks involved in each geological play. Esker also is very conservative and careful with any forward selling gas contracts as our overall total gas production volume does not allow for any aggressive program of forward selling to capture higher gas prices while risking the inability to make contract volumes. At this time Esker does not have any "locked-in" forward selling contracts for it's gas. Esker also maintains insurance coverage, in accordance with prudent industry standards, to reduce the risks associated with oil and gas field operations.

EXPLORATION / PRODUCTION TEAM

Exploration / Production Team - officers, employees and consultants.

Geology
Howard Swennumson (P.Geol.)
Ian Holmes (P.Geol.)

Geophysics
Roy Gluszak (P.Geoph.)

Land
Dennis Harder

Land Administration
Ellen Dewar
Karen Alderson

Engineering and Operations
Barry Holizki (P.Eng.)
Howard Swennumson (P.Geol.)

Accounting
Tom Briggs (C.A.)
Joanne Schwass
Bob Gaskell

Administration / Investor Relations
Ian Holmes (P.Geol.)
Karen Alderson

ABBREVIATIONS USED IN REPORT

M$	-	Thousand dollars	BOE/d	-	Barrels of Oil Equivalent per day
Mcf/d	-	Thousand cubic feet per day	AEUB	-	Alberta Energy and Utilities Board
MM	-	Million	DCV	-	Discounted cash value
Mcf	-	Thousand cubic feet	NGL	-	Natural Gas Liquid
MMcf	-	Million cubic feet	ORR	-	Overriding royalty
MMcf/d	-	Million cubic feet per day	GORR	-	Gross Overriding Royalty
MBbls	-	Thousand Barrels	BOE	-	Barrels of Oil Equivalent
MBOE	-	Thousand Barrels of Oil Equivalent			(Convert gas to oil at a ratio of 6 Mcf: 1 Bbl.)
Bbls/d	-	Barrels per day	ha.	-	Hectare
Bbls	-	Barrels	2D	-	two dimensional
BOPD	-	Barrels of oil per day	3D	-	three dimensional
N.C.	-	No change			

FINANCIAL STATEMENTS OF

ESKER RESOURCES LTD.

YEARS ENDED
DEC. 31, 2000 AND 1999

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

Management is responsible for the integrity and objectivity of the information contained in this annual report and for the consistency between the financial statements and other financial operating data contained elsewhere in the report. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and where necessary, contain estimates based upon management's informed judgements. Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information.

The financial statements have been examined by external auditors.Their examination provides an independent view as to management's discharge of its responsibilities as they relate to the fairness of reported operating results and financial condition of the Company. The Audit Committee has reviewed the financial statements with the Auditors, and has reported to the Board of Directors. The Board has approved the financial statements.

Ian G. Holmes
President and Chief Executive Officer

Tom H. Briggs
Chief Financial Officer and Secretary

April 11, 2001

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of Esker Resources Ltd. as at December 31, 2000 and 1999 and the statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada
March 23, 2001

BALANCE SHEETS

December 31, 2000 and 1999

	2000	1999
Assets		
Current assets:		
Cash	$ –	$ 56,325
Accounts receivable	1,584,805	704,610
	1,584,805	760,935
Capital assets (note 3)	9,096,480	5,975,135
	$ 10,681,285	$ 6,736,070
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	$ 74,268	$ –
Accounts payable and accrued liabilities	1,025,273	458,386
Current maturities of long-term debt (note 5)	120,000	–
	1,219,541	458,386
Bank loan (note 5)	2,220,000	1,625,000
Future income taxes (note 6)	2,024,000	–
Deferred income taxes (note 6)	–	146,220
Provision for site restoration costs	257,695	230,389
Shareholders' equity:		
Capital stock (note 4)	3,857,539	3,993,223
Retained earnings	1,102,510	282,852
	4,960,049	4,276,075
	$ 10,681,285	$ 6,736,070

See accompanying notes to financial statements.

Approved by the Board of Directors:

Ian G. Holmes
Director

Tom H. Briggs
Director

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

Years ended December 31, 2000 and 1999

	2000	1999
Revenue:		
Oil and gas sales	$ 4,139,106	$ 2,152,302
Royalties, net of Alberta Royalty Tax Credit	(649,702)	(201,295)
Interest and other income	6,958	2,517
	3,496,362	1,953,524
Expenses:		
Oil and gas operating	602,578	442,779
General and administrative	325,035	254,304
Interest	160,807	58,885
Depletion and depreciation	926,931	783,025
	2,015,351	1,538,993
Income before income taxes	1,481,011	414,531
Income taxes (note 6)	473,515	146,220
Net income	1,007,496	268,311
Retained earnings, beginning of year	282,852	14,541
Change in accounting policy (note 2)	(187,838)	–
Retained earnings, end of year	$ 1,102,510	$ 282,852
Earnings per share:		
Basic and fully diluted	$ 0.06	$ 0.02

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2000 and 1999

	2000	1999
Cash provided by (used in):		
Operating activities:		
Net income	$ 1,007,496	$ 268,311
Items not involving cash:		
Depletion and depreciation	926,931	783,025
Income taxes	473,515	146,220
Funds from operations	2,407,942	1,197,556
Net change in non-cash operating working capital (note 7)	(313,308)	(576,016)
	2,094,634	621,540
Financing activities:		
Issue of common shares	12,000	16,000
Repurchase of common shares	(147,684)	(130,122)
Increase in bank loan	715,000	1,625,000
Increase in bank indebtedness	74,268	–
	653,584	1,510,878
Investing activities:		
Capital expenditures	(3,055,069)	(2,233,279)
Proceeds on disposal of capital assets	250,526	117,544
	(2,804,543)	(2,115,735)
Net increase (decrease) in cash	(56,325)	16,683
Cash, beginning of year	56,325	39,642
Cash, end of year	$ –	$ 56,325
Funds from operations per share:		
Basic	$ 0.14	$ 0.07
Fully diluted	$ 0.13	$ 0.07

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) *Petroleum and natural gas operations:*

The Company follows the full cost method of accounting for petroleum and natural gas operations whereby all costs associated with the exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical costs, lease rental costs on non-producing properties, costs of drilling both productive and non-productive wells and overhead charges directly related to acquisition, exploration and development activities.

The costs of petroleum and natural gas interests are depleted and depreciated by the unit-of-production method based on the estimated gross proved reserves. Petroleum and natural gas reserves and production are stated in equivalent units based upon estimated units of revenue.

The capitalized costs of petroleum and natural gas interests less accumulated depletion and depreciation are limited to an amount equal to the estimated future net revenue from proved reserves (based on prices and costs at the balance sheet date) plus the cost (net of impairments) of unproved properties less estimated future general and administrative expenses, site restoration costs, financing costs and income taxes.

(b) *Other capital assets:*

Other capital assets are recorded at cost and are depreciated by the declining balance method at 20%.

(c) *Joint ventures:*

Substantially all of the exploration, development and production activities of the Company are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

(d) *Provision for site restoration costs:*

Estimated future site restoration costs are provided using the unit of production method based on estimated gross proved reserves. The annual charge is included in depletion and depreciation and the accumulated provision is reflected as a long-term liability. Site restoration expenditures are charged to the accumulated provision account as incurred.

(e) *Income taxes:*

Effective January 1, 2000, the Company adopted the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on temporary difference arising from differences between the carrying amounts and the tax bases of the assets and liabilities, and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the asset will not be realized.

Prior to adoption of this new standard, income tax expense was determined using the deferral method.

NOTES TO FINANCIAL STATEMENTS, PAGE 2

Years ended December 31, 2000 and 1999

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

(f) *Stock based compensation:*

The Company has a stock option plan as described in note 4(c). When stock options are issued the value of the options is not determined or recorded. Any consideration received on the exercise of stock options is credited to share capital.

(g) *Measurement uncertainty:*

The amounts recorded for depletion and depreciation of petroleum and natural gas properties and equipment and the provision for future site restoration and abandonment costs are based on estimates. The ceiling test is based on estimates of proved reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(h) *Flow-through shares:*

The proceeds from issuance of flow-through shares have been reduced by the estimated tax benefits renounced to shareholders.

(i) *Per share information:*

Per share amounts have been computed using the weighted average number of common shares outstanding during the year (2000 - 16,734,761; 1999 - 16,796,005). Fully diluted per share amounts give effect to the issuance of shares under option agreements as if they had been issued at the beginning of the year (2000 - 18,284,761; 1999 - 19,066,462).

(j) *Cash and cash equivalents:*

Cash and cash equivalents consist of cash in the bank, less outstanding cheques and short-term deposits with a maturity of less than three months.

2. CHANGE IN ACCOUNTING POLICY:

During the year, the Company changed its method of accounting for income taxes from the deferral method to the liability method described in note 1(e) and has applied this change retroactively without restating prior periods. As a result, the Company has recorded a decrease to retained earnings of $187,838, an increase to petroleum and natural gas interests of $1,216,427 and an increase to the future tax liability (previously "deferred income taxes") of $1,404,265 as at January 1, 2000.

NOTES TO FINANCIAL STATEMENTS, PAGE 3

Years ended December 31, 2000 and 1999

3. CAPITAL ASSETS:

	2000	1999
Petroleum and natural gas interests	$ 12,111,905	$ 8,092,998
Other	77,903	75,840
	12,189,808	8,168,838
Accumulated depletion and depreciation	3,093,328	2,193,703
	$ 9,096,480	$ 5,975,135

During the year, $355,156 (1999 - $262,124) of general and administrative expenses related to exploration and development were capitalized.

Costs related to undeveloped interests which are excluded from the depletion base amounted to $84,456 at December 31, 2000 (1999 - $207,349).

4. CAPITAL STOCK:

(a) *Authorized:*

Authorized capital stock consists of an unlimited number of common shares without par value and an unlimited number of preferred shares issuable in series.

(b) *Issued:*

Common shares

	Number of shares	Amount
Balance, December 31, 1998	17,262,601	$ 4,107,345
Exercise of stock options	64,000	16,000
Repurchase of common shares	(481,500)	(130,122)
Balance, December 31, 1999	16,845,101	3,993,223
Exercise of stock options	60,000	12,000
Repurchase of common shares	(577,000)	(147,684)
Balance, December 31, 2000	16,328,101	$ 3,857,539

(c) *Stock options:*

Stock options, entitling the holder to purchase common shares from the Company have been granted to directors, officers, consultants, and certain employees of the Company.

NOTES TO FINANCIAL STATEMENTS, PAGE 4

Years ended December 31, 2000 and 1999

(c) *Stock options (continued):*

A summary of the status of the Company's stock option plan as of December 31, 2000 and 1999, and changes during the years then ended, is presented below:

	2000		1999	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Stock options outstanding, beginning of year	1,390,000	$ 0.31	1,328,000	$ 0.31
Granted	220,000	$ 0.19	440,000	$ 0.24
Exercised	(60,000)	$ 0.20	(64,000)	$ 0.25
Expired	–	– –	(314,000)	$ 0.25
Stock options outstanding, end of year	1,550,000	$ 0.29	1,390,000	$ 0.31
Exercisable at end of year	1,330,000	$ 0.31	1,110,250	$ 0.31

The following table summarizes information regarding stock options outstanding at December 31, 2000:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Remaining number outstanding	Weighted-average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$0.19 - 0.39	1,325,000	2.8 years	$ 0.25	1,105,000	$ 0.28
0.40 - 0.60	225,000	2.5 years	0.46	225,000	0.46
$0.19 - 0.60	1,550,000	2.7 years	$ 0.29	1,330,000	$ 0.31

5. BANK LOAN:

The Company has a $3,000,000 revolving production loan facility and a $1,500,000 non-revolving acquisition loan with a major Canadian chartered bank. At December 31, 2000 the Company had drawn $2,150,000 on the production loan facility and had $190,000 outstanding on the acquisition facility. The production loan is payable on demand. The acquisition facility is repayable at $10,000 monthly. Both facilities are subject to an annual review and bear interest at the bank's prime rate plus 3/4% to 1%. The Company has provided security for the credit facility under Section 426 of the Bank Act with respect to certain oil and gas interests, an assignment of book debts, a letter of undertaking not to pledge assets of the Company and a $10,000,000 demand debenture secured by a first floating charge over all other assets.

The bank has advised to the Company that they do not foresee any principal repayments being required in 2001 providing the Company continues to satisfy the provisions of the facility and maintains an adequate borrowing base.

NOTES TO FINANCIAL STATEMENTS, PAGE 5

Years ended December 31, 2000 and 1999

6. INCOME TAXES:

Income taxes differ from the results which would be obtained by applying the combined Federal and Provincial income tax rates of 44.6% to the net income before income taxes. The difference results from the following:

	2000	1999
Expected income tax provision	$ 660,530	$ 184,880
Increase (decrease) resulting from:		
Non-deductible crown charges	156,970	59,490
Resource allowance	(272,710)	(146,539)
Provincial royalty credits	(44,370)	(36,310)
Non-deductible depletion	–	87,864
Other	(26,905)	(3,165)
Income tax provision	$ 473,515	$ 146,220

The components of the net future income tax liability as at December 31, 2000 are as follows:

Future income tax assets:	
Provision for site restoration	$ 86,200
Share issue costs	18,000
	104,200
Future income tax liabilities:	
Capital assets	2,128,200
	$ 2,024,000

7. SUPPLEMENTAL CASH FLOW DISCLOSURE:

Change in non-cash working capital:

	2000	1999
Accounts receivable	$ (880,195)	$ (210,007)
Accounts payable and accrued liabilities	566,887	(366,009)
	(313,308)	(576,016)
Cash interest paid	$ 160,807	$ 58,885

8. FINANCIAL INSTRUMENTS:

(a) Credit risk:

A substantial portion of the Company's accounts receivable are from customers and joint venture partners in the petroleum and natural gas industry and are subject to normal industry credit risks. Purchasers of the Company's natural gas, crude oil and natural gas liquids are subject to an internal credit review to minimize the risk of non-payment.

(b) Fair values:

The fair values of the Company's monetary assets and liabilities approximated their carrying values at December 31, 2000 and 1999 as a result of short maturities.

(c) Interest rate risk:

As at December 31, 2000, the Corporation was exposed to floating interest rates with respect to its bank indebtedness.

CORPORATE INFORMATION

DIRECTORS

+*David H.Erickson, P. Geol.
Vice President Operations
Raven Energy Ltd.
Calgary, Alberta

+Tom H. Briggs, C.A.
Chartered Accountant
Calgary, Alberta

***Ian G. Holmes,** P. Geol.
President and Chief Executive Officer
Esker Resources Ltd.
Calgary, Alberta

***Ronald R. Sirois,** P. Land
President
Romtrek Petroleums Ltd.
Calgary, Alberta

+ Member of Compensation Committee * Member of Audit Committee

OFFICERS

Ian G. Holmes, P. Geol.
President and Chief Executive Officer

Tom H. Briggs, C.A.
Chief Financial Officer and Secretary

Howard L. Swennumson, P. Geol.
Vice President Exploration

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EVALUATION ENGINEERS

Sproule Associates Limited
Calgary, Alberta

AUDITORS

KPMG LLP
Chartered Accountants
Calgary, Alberta

REGISTRAR & TRANSFER AGENT

CIBC Mellon Trust Company
Calgary, Alberta

SOLICITOR

Gregory B. Matthews
Barrister and Solicitor
Calgary, Alberta

EXCHANGE LISTING

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Trading Symbol: **ESR**

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